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SUBJECT: BARROSO CALLS FOR EU BUDGET COMPROMISE;
NEED FOR "SERIOUS" DEBATE ON TURKEY'S ACCESSION

SUMMARY

1. European Commission President Barroso on June 22 said the EU could face "paralysis" unless its budget quarrel was settled quickly. Barroso said a clause permitting review of the budget situation in 2008 might break the deadlock. He cautioned against "explicitly" linking farm spending and the British budget rebate. On EU enlargement, Barroso said the EU should "seriously discuss the signal" sent by the French and Dutch electorate regarding Turkey. END SUMMARY.

BUDGET COMPROMISE NEEDED

2. Speaking at a press conference, Barroso underlined the urgency of reaching agreement on the EU financial framework for 2007-2013: "There is a risk of paralysis if we don't have a decision soon. This could have very negative consequences, especially in the new Member States." Negotiations should resume on the basis of the work of the Luxembourg Presidency. Barroso said the Commission would give its "utmost support" to the upcoming British Presidency, though the first responsibility clearly lay with the Member States. The Presidency has the lead in this matter and should take the initiative in the search for compromise: "More than any other Member State, the Presidency has to reflect on the need for overall consensus."

A REVIEW CLAUSE?

3. Barroso suggested this might take the form of a clause permitting review of overall EU spending in the course of the 2007-2013 period covered by the new financial framework (Note: the proposal to EU leaders last week was for the review to take place in 2008). Although it was "not reasonable to put everything into question," he said, there should be a provision allowing the EU to adapt to changing circumstances.

THE CAP, THE REBATE, FRANCE AND THE UK

4. Asked whether he thought the 2002 agreement setting the level of Common Agricultural Policy (CAP) expenditure through 2013 should be revised, Barroso said: "We reached an agreement in 2002 and that agreement remains standing. We can only ask all to make a compromise, a compromise on the CAP also, a compromise on the British rebate. We don't have to explicitly link them, but we can ask Member States to get out of rigid positions." Barroso added: "If our British friends think they are going to get everything they want, they are mistaken. If our French friends think they are going to have everything they want, it's also a mistake." In the medium-term, the EU budget will have to undergo "a certain amount of revision" and a review of its priorities, hence the idea of a review clause.

5. Noting that the Commission had just adopted a proposal for the reform of the sugar market, Barroso argued that the CAP could not be presented as frozen in stone. At the same time, he noted that the six countries (read: the net budget contributors, including the UK) who had signed a 2004 letter calling for overall EU spending to be limited to 1.0% of total EU GDP, had also reaffirmed in that letter the 2002 agreement on CAP expenditure.

DEBATE ON EU'S FUTURE

6. Barroso said the Commission was planning to hold a seminar in September on the future of Europe. The Commission will also prepare a strategy paper on Europe's future, for presentation to EU leaders in June 2006, and a reflection on the future of the European social model, which would be an important contribution to the debate.

TURKEY'S ACCESSION PROSPECTS

17. Asked about the impact of the current constitutional situation on enlargement, Barroso said: "We are all aware that we should discuss seriously the signal that was sent by the electorate concerning Turkey." He added, "it would be a mistake to ignore that we need the support of member states and citizens for enlargement to proceed. We shall start negotiations with Turkey on October 3 but it is an open-ended process. That doesn't necessarily say what will be the conclusion of that process."

COMMENT

18. By calling on the EU governments (and the upcoming UK Presidency, in particular) to compromise on the budget, the Commission is drawing attention to its behind-the-scenes activism in the budget negotiations and trying to find a way for the EU-25 to reach a face-saving compromise in a not-too-distant future. Coming after the comments by his predecessor Romano Prodi, who just said in an interview that the "conditions for Turkey's accession to the EU in the short or mid-term no longer exist," Barroso's remarks are also the latest in a series of comments by EU leaders casting doubts on Turkey's accession prospects.

MCKINLEY